

INTERIM FINANCING LOAN PROGRAM



APPLICATION AND GUIDELINES

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

INTERIM FINANCING LOAN PROGRAM

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SUMMARY

Purpose: The purpose of this program is to stimulate the creation of new higher quality jobs by providing a deferred loan to manufacturers, processing companies, and assembly businesses. The projected growth, economic impact of the company, the risk of failure, and the quality of management are critical factors for approval.

Funding Limits: The funding is based on an evaluation by DED of the projected economic impact of the project, and the need for the loan to cause the project to occur. In any event, an Interim Financing Loan would be limited to the LOWER of: \$5 million per project; 30% of project costs; or \$25,000 per new full-time year-round job.

Use of Funds: The purchase of new machinery and equipment or permanent working capital is eligible. Refinancing, payout of stockholders, buyouts, or lines of credit are not eligible.

Priority Companies: Companies which are prioritized are for-profit manufacturing, processing, and assembly companies; wages above the county average for production employees; provides medical benefits; and a high value added process. Areas of high economic distress have more discretion on the types of businesses that are prioritized.

51% Low and Moderate Income Jobs: This program is funded by the Federal Community Development Block Grant (CDBG) program. As such, at least 51% of the new jobs due to the project must be taken by persons considered "low and moderate income" ("LMI"). The LMI standard is based on the current annualized total family income. The LMI standard for a three person family is about \$22,000 for rural areas and \$32,000 for suburban areas.

Timing: The project may not have started prior to DED's approval of the loan. An environmental review must be conducted by a city or county sponsor, and may be started at any time, even prior to submission of an application.

Collateral: The Interim Financing loan will be secured by an irrevocable letter of credit from an acceptable financial institution. Personal guarantees or other collateral are not required.

Procedure:

- a. The sponsor (a city or county at the location site) would insert a public hearing notice in a local newspaper. At least five (5) days later, the sponsor holds a public hearing. The sponsor would complete the environmental review, and have a FONSI/RRF notice published in the newspaper.
- b. The company and sponsor (city or county) submits an application to the Department of Economic Development. (See "Application" section.)
- c. DED sends a letter of approval to the sponsor and company.
- d. A loan agreement is executed between the company, DED, and the city/county sponsor. Interim Financing loan proceeds are provided upon the submission of invoices for approved items, or

other approved documentation. Such documents must be dated after the date of DED's approval of the loan. Typical turn-around time from the submission of invoices to the receipt of the loan proceeds is 10 days.

Eligible Areas: The loan must be made in cooperation with a city or county sponsor in a "non-entitlement" area where the project will be located. A "non-entitlement" area is any city or county in Missouri **except** St. Louis City or County, Kansas City, Independence, St. Charles, Lees Summit, Joplin, Columbia, Florissant, Springfield, or St. Joseph. Some cities within St. Louis County are also eligible.

Additional Information: Missouri Department of Economic Development
Incentive Section, Room 720
301 West High Street, P.O. Box 118
Jefferson City, MO 65102
(573) 751-0717

DEFINITIONS

The terms defined in this section are applicable to any reference in the Interim Financing Loan Program guidelines.

"Active Owner" means a person employed full or part time by the Borrower whom owns more than 20% stock in the Company, including immediate family members.

"Affiliate" means any person (1) which directly or indirectly controls, or is controlled by, or is under common control with the borrower; (2) which directly or indirectly beneficially owns or holds five percent (5%) or more of any class of voting stock of the borrower; or (3) five percent (5%) or more of the voting stock of which is directly or indirectly beneficially owned or held by the borrower. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

"Application" means information and documents submitted by the sponsor and the borrower to DED regarding the proposed use of funds from the Interim Financing Loan program.

"Borrower" means a company that has been approved for a loan from the Interim Financing Loan program.

"Business" or "Company" means the entity which is requesting the Interim Financing Loan, and who will employ the new jobs for the project.

"Business Operations" means activities of the company to produce their products or provide their services to be sold to another party.

"CDBG" means the Community Development Block Grant program, as provided from the US Department of Housing and Urban Development to DED, then from DED to the Sponsor, then to the Borrower. CDBG is the source of funds for the Interim Financing Loan program.

"Collateral" means an irrevocable letter of credit from an approved financial institution.

"Current Employees" or "Current Employment" means the number of full time year-around employees of the borrower at the location of the project at the time the application was submitted by the sponsor.

"DED" means the Missouri Department of Economic Development, an agency of the State of Missouri.

"Economic Impact" means an analysis of the benefit of the Project to the economy based on the following factors:

- a. The projected rate of growth of the industry, based on information from the US Commerce Department, U. S. Industrial Outlook.
- b. The percentage of goods and services purchased from businesses within the state;
- c. Any adverse impact to in-state competitors;

- d. The proposed wages compared to the average for the area (including medical benefits), and the employee turnover rate;
- e. The company's ability to create new products or services which will expand their market outside MO; and,
- f. The amount of value-added process.

"Full-Time, Year-Around Employees" means employees of the borrower who are projected to work at least 1800 hours in a year, and have medical insurance benefits. This does not include seasonal, construction, part time, or temporary employees, or persons that work within the borrower's facility, but are not employees of the borrower.

"Full Employment" means the actual number of full-time year-around employees added to current employment due to the project.

"HUD" means the U. S. Department of Housing and Urban Development, an agency of the U. S. government.

"Loan Agreement" means a loan agreement between the borrower, city/county sponsor, and the Department of Economic Development which defines the terms and conditions of the Interim Financing Loan.

"Loan Documents" means a loan agreement, note, security agreement, guaranty, and supporting documents.

"Low and Moderate Income Person" (LMI) means current annualized family income is below the amount established by HUD for the CDBG program.

"New Jobs" means the number of new, full-time, year-around employees hired by the borrower in addition to the current employment at the project location. This number is the net increase over current employment at other locations of the borrower or an affiliate in the State of Missouri.

"Priority Companies" generally refers to for-profit manufacturing, processing, and assembly companies that have demonstrated growth potential, pay above-average wages, and have excellent management. Certain higher technology service businesses would also qualify if a high percentage of their sales were likely to be derived from outside the state.

"Project" means the proposed project investment as specified in the application and subsequent amendments submitted by the borrower and sponsor to DED. A project must be located within the jurisdiction of a sponsor (city/county).

"Project Investment" means new assets to be acquired by the borrower for the project, not including assets acquired by a revolving line of credit. The book value of fixed assets transferred from outside Missouri to the Project may also be included as a project investment.

"Sponsor" means a city or county government located in a "non-entitlement area" of Missouri who has submitted an application for an Interim Financing Loan on behalf of the Borrower.

"Working Capital" means recurring expenses incurred by the borrower for inventory, advertising, salaries, utilities, insurance, legal, accounting, rent, telephone, postage, and other such costs of business operations.

"Unforeseen Economic Event" means external factors that were unanticipated by the borrower which affected its ability to achieve the sales and profits projected in the application.

GENERAL

Application/Approval Procedure: Two copies of all documents must be submitted to Department of Economic Development, 301 W. High Street, Room 720 P.O. Box 118, Jefferson City, MO 65102. There is no deadline for submission of a request. Approval of a loan is based on meeting the criteria as stated herein, and the availability of funds.

Eligible Sponsors: Cities and counties in CDBG "non-entitlement areas" of Missouri are the only entities eligible to sponsor a loan request on behalf of a company. The company must be within a sponsor's jurisdiction, or if not, the company must agree that at least 51% of the new jobs will be from the sponsor's jurisdiction.

CDBG "non-entitlement areas" include all of the state except Kansas City, Independence, Lees Summit, Joplin, Springfield, Columbia, St. Louis City, Florissant, St. Charles, St. Joseph, St. Louis County, and cities within St. Louis County who participate in the St. Louis County entitlement program which include the following:

Ballwin, Bella Villa, Bellefontaine Neighbors, Bellerive, Bel-Nor, Bel-Ridge, Berkeley, Beverly Hills, Breckenridge Hills, Brentwood, Bridgeton, Calverton Park, Charlack, Cool Valley, Country Club Hills, Dellwood, Edmundson, Ellisville, Eureka, Fenton, Ferguson, Flordell Hills, Glen Echo Park, Glendale, Greendale, Hanley Hills, Hazelwood, Hillsdale, Jennings, Kinloch, Kirkwood, Mackenzie, Maplewood, Maryland Heights, Moline Acres, Normandy, Northwoods, Norwood Court, Olivette, Overland, Pacific, Pagedale, Pasadena Hills, Pasadena Park, Pine Lawn, Richmond Heights, Riverview, Rock Hill, St. Ann, St. John, Sycamore Hills, University City, Uplands Park, Valley Park, Velda Village, Velda Village Hills, Vinita Park, Vinita Terrace, Webster Groves, Winchester, and Woodson Terrace.

Participation with Other Public Programs: The Interim Financing Loan program may co-invest in a project with other public programs, such as the Small Business Administration, Missouri Development Finance Board, Farmers Home Administration, Economic Development Administration, industrial revenue bonds, Missouri First Linked Deposit, CDBG Industrial Infrastructure, and others, provided that:

- a. The number of new jobs created per total public funding is not unreasonable.
- b. If other CDBG economic development programs are involved in the project, new jobs and project investment cannot be double-counted.

For further information about these and other business financing programs, contact DED at 573-751-0717.

Ineligible Companies/Projects: Ineligible borrowers would include public entities; speculative development; leasing, financing or investment companies; franchises; intra-state relocations; farm production or fishing operations; clubs; tax-supported non-profit corporations; real property held primarily for sale or investment; forward commitments; monopolies; illegal activities; pure research; or political or religious activities.

Loan/Administration Fees: In the event the sponsor elects to contract with a firm to perform the administrative requirements of the CDBG program, the borrower and/or sponsor must pay such fees. If the borrower pays the administrative fees, this amount may be included in the Interim Financing Loan.

Priority Companies: Generally for-profit manufacturing, processing, and assembly companies which have demonstrated growth potential, pay above-average wages, provide medical benefits, have a low turnover rate, and excellent management are prioritized by the program. Retail, wholesale, and most service businesses are not a priority for the program.

Economic Impact: Section 620.605(2), RsMO, requires DED to consider various economic impact factors before approving a Project.

Closed Records: Section 620.014, RsMO, provides that records and documents submitted to DED or a regional planning commission relating to financial investments in a business, or sales projections or other business plan information which may endanger the competitiveness of a business may be deemed a "closed record" as such term is defined in section 610.010, RsMO.

Penalties for Non-Compliance: Section 620.017 states that DED must require that any company which receives financial assistance from a DED program to use the proceeds solely as required by the program, and any recipient who fails to comply with any requirement shall return any remaining proceeds to DED, and any proceeds expended shall be repaid to DED. The loan agreement will specify that in the event the new jobs committed are not achieved or that less than 51% of the new jobs are LMI, or that the project investment is not completed, DED will require full or pro-rated payment of the loan, plus penalties of 10% annual interest accrued from the date of the loan agreement, unless unforeseen economic events occurred.

Other Loan Programs: Other loan programs available to assist in the completion of a business project include: SBA 7a loan guarantee; SBA 504 loan; Rural Missouri Inc. Intermediary Loan; FmHA loan guarantee; EDA revolving loan (through various regional planning commissions); tax-exempt industrial revenue bonds; SBA low-doc guaranteed loan; SBA seasonal line of credit; Tax Increment Financing; EIARA Market Development Program (for recycling projects); and SBA Micro-Loan. For further information regarding these programs, contact DED Finance Programs at 573-751-0717.

LOAN CONDITIONS

Term/Rate/Payments: Determined by DED based on the economic impact of the project, and the need for the loan to cause the project to occur.

Collateral: Irrevocable letter of credit from an acceptable financial institution.

Use of Loan Proceeds: Interim Financing Loan proceeds may be used only for expenses related to the project investment. Generally, Interim Financing Loan proceeds should not be used for construction or installation costs, as this would trigger rules that require the payment of prevailing wages to the employees of contractors. Ineligible uses of loan proceeds would include contributions, officer (or other) loans, purchase of the company's stock, moving expenses of employees or officers, severance

pay, refinancing of existing debt, political or religious activities, lobbying any governmental entity, or non-business related expenses.

Projections: The projected return on equity (pre-tax) or return on assets (pre-tax) as calculated at the end of the second year from the start of the project must be less than the median for the industry, as reported by Robert Morris Associates.

Approval: The decision to provide the Interim Financing Loan will be based on:

- a. Compliance with the eligibility criteria established herein;
- b. The potential growth of the Company, based on the growth rate of the industry, the projected development of new products, and past history of the Company (Active Owners and management) to be successful in growing the Company.
- c. The projected Economic Impact of the Project (the number of high paying jobs created, growth potential of the Company, etc.) relative to the probability of success of the Project.
- d. Whether the loan will be a material inducement to cause the project to occur.

Denial Factors: An Interim Financing Loan will likely not be approved for any Project if the Company, owner of 50% or more of the Company's stock, or an Active Owner:

- a. Has a poor credit history, or has filed for voluntary or involuntary bankruptcy in a prior business or personally;
- b. Has been convicted of a felony; presently under indictment, or parole or probation;
- c. Have overdue state, local or federal taxes (business or personal);
- d. Did not fulfill obligations on a prior DED or other state program;
- e. Is delinquent on any child custody payments;
- f. Has pending or threatened liens, judgments, or material litigation which is likely to affect the viability of the Borrower;
- g. The Project did not meet one of the eligibility criteria of the program;
- h. The Company is not a Priority Company;
- i. The projections are inadequately documented;
- j. The risk of failure of the Company is at an unacceptable level in relation to the projected Economic Impact; or,
- k. Management is not adequately qualified, or was not identified in the Application.

Restrictions: The loan agreement will include certain restrictions, including, but not limited to: In the event the project is moved to another location, sold, merged, consolidated, or otherwise acquired by another entity, the loan is due and payable;

Reporting Requirements: The borrower must provide DED with a fiscal year-end report. The borrower also must have each person applying for employment after the date the loan is approved complete the **Employment Status Statement** form. Once full employment is achieved (or 2 years, whichever is first), the Borrower must tabulate all the persons hired to comply with the 51% LMI requirement.

NEW JOB REQUIREMENTS

Time Period: New jobs (see definition) committed by the borrower at the project location must be created within 2 years from the date of the loan agreement and maintained for a period of at least 5 years from the date of the loan agreement. The borrower may not reduce business operations at any other Missouri facility to fulfill the new job commitment.

Penalties: In the event the new jobs are not created within the 2 year period, or maintained for the entire 5 year period, the loan must be prepaid (pro-rated for the actual new jobs as a percentage of the number committed), plus an interest penalty. The interest penalty is 10% per annum (from the date funds were received) on the amount of the required prepayment. DED may waive interest penalties or the required prepayment if the company experienced an unforeseen economic event (see definitions) which affected its ability to maintain full employment, as defined. Transfer of business operations to another location would not allow a waiver of penalties, unless prior approval was granted by DED due to possible failure of the business.

Rationale of New Jobs Projected: New jobs (see definition) is the increase of full-time, year-around employees (see definition) over current employment (see definition) at the project location. The number of new jobs to be created by the company must be consistent with the company's payroll costs in their projected financial statements. The projection of new jobs must also be directly correlated to the activities of the project.

Full-Time, Year-Around Employees: Only those persons who are projected to work at least 1800 hours in a year, have medical insurance benefits, and employed by the borrower may count as a full-time, year-around employee. Seasonal, construction, part time, or temporary employees, or persons that work within the borrower's facility but are not employees of the borrower are not considered a full-time, year-around employee.

Documentation: The company on the Employment Data Form will state current employment and the projected number of new jobs. New Jobs will be verified by DED from the **Employment Status Statements** administered by the company. DED may also consult with the Missouri Division of Employment Security to verify such information. In the event such information has discrepancies, the Company must provide payroll records to DED. The Company may be required by DED to submit evidence of the Current Employment until the end of the 5-year period.

LOW AND MODERATE INCOME REQUIREMENTS

51% LMI of New Jobs: At least 51% of the new jobs must be taken by persons qualifying as low and moderate income ("LMI"). Also, if full employment exceeds the projected new jobs, at least 51% of all actual new jobs must be LMI, as documented in an **Employment Status Statement**.

LMI Definition: A person whose total current annualized family income is less than the prescribed standards based on family size and county of residence is considered low and moderate income ("LMI").

"Family" is considered husband, wife, and dependents. "Annual Income" is the total amount of income of the immediate family from all sources based on current rate of pay. The new wages a new employee will receive by the Company is not relevant in the determination of LMI.

Job Titles: On the Employment Data Form, the Company must identify specific job titles of New Jobs in order for DED to determine the likelihood of accomplishing the 51% LMI requirement. Generally, jobs applicable for LMI persons do not require post-secondary education or specialized training as a condition for consideration of employment. However, the **Employment Status Statements** actually document the 51% LMI requirement.

Employee Survey: A standard form for an employee survey to determine LMI status is available on the **Employment Status Statements**. After the date of the DED's approval of the loan, the Borrower must survey each person hired. The employee must sign the surveys, and the employee must be willing to verify his/her family income upon request of DED, HUD, or the Sponsor. In addition, the Borrower must have all persons applying for jobs complete the survey for ethnicity data. The survey is voluntary and confidential, however, all surveys not completed will be assumed to be from non-LMI persons. The Borrower is responsible to administer the surveys and provide the completed surveys to the Sponsor and DED upon Full Employment, or 2 years from the date of the Loan Agreement, whichever is first.

County LMI Limits: The LMI limits vary by size of family and county of the Project. The income refers to the family's **current** total current income, annualized. For example, if someone made \$300/week, the annual income would be \$15,600. (Note: Spouse income must be included to determine LMI eligibility.) The rate of pay for someone to be hired by the Company should not be considered.

CONFLICT OF INTEREST POLICY

Persons Applicable: The conflict of interest provisions of this policy shall apply to any person who is an employee, elected or appointed official, agent, consultant, officer, or any immediate family member or business partner of the above, of the sponsor city/county, or of any designated public agencies, or sub-recipients which are receiving funds from the Interim Financing Loan program.

Applicability: In the area of procurement of supplies, equipment, construction, and services by recipients, sub-recipients, or designated public agencies, the conflict of interest provisions in 24 CFR 85 or A-110, as applicable, shall apply. In all cases not governed by 24 CFR 85, the provisions of this policy shall apply. Such cases include the acquisition and disposition of real property and the provision of assistance by the recipient or sub-recipients to individuals, businesses and their private entities in the form of grants, loans, or other assistance through eligible activities the program which authorize such assistance.

Conflicts Prohibited: Except for approved eligible administrative or personnel costs, no persons described in Section I who exercises or have exercised any functions or responsibilities with respect to CDBG activities or who are in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during

their tenure or for one year thereafter. For the Interim Financing Loan program, the above restrictions shall apply to all activities that are a part of the funding approval for all projects, and shall cover any such interest or benefit during or at any time after, such person's tenure. No elected official with any association of their entity as a CDBG recipient shall be compensated in any form for performing administration of a CDBG project, and shall not receive fees from any source, including finders fees, realtors' or brokers' fees, from a Company or other parties involved in a CDBG assisted project.

Exceptions: DED may grant an exception to a conflict specified in above after a determination has been made by the state that the exception will serve the purposes of the Housing and Community Development Act of 1974 and the State's adopted Final Statement for each year therefore only after the recipient has provided to DED written documentation detailing a disclosure of the nature of the conflict accompanied by an assurance that there has been a public disclosure of the conflict, a description of how the public disclosure was made, and an opinion of the recipient's attorney that the interest for which the exception is sought would not violate state or local law.

In determining whether to grant an exception, after the above two items have been received, DED shall consider the following factors, where applicable:

- a. Whether the exception would provide a significant cost benefit or an essential degree of expertise to the project, which would otherwise not be available;
- b. Whether an opportunity was provided for open competitive bidding or negotiation;
- c. Whether the person affected is a member of a group or class of low or moderate income persons intended to be the beneficiaries of the assisted activity, and the exception will permit such person to receive generally the same interests or benefits as are being made available or provided to the group or class;
- d. Whether the affected person has withdrawn from his or her functions or responsibilities, or the decision making process with respect to the specific assisted activity in question;
- e. Whether the interest or benefit was present before the affected person was in a position as described above;
- f. Whether undue hardship will result either to the recipient or the person affected when weighed against the public interest served by avoiding the prohibited conflict; and
- g. Any other relevant considerations.

Disclosure and Certifications: The **Public Participation Form** requires the Mayor or Presiding Commissioner (acting on behalf of the Sponsor) to certify that, to the best of their knowledge, no conflict will occur regarding the Project. The Company's Financial Interest Disclosure must also be completed to indicate certain contracts and assistance related to the Project.

INTRA-STATE RELOCATION

Ineligible Projects: Projects that propose intra-state transfer of part or all of a company are generally ineligible for funding. Also, companies that have one or more existing facilities in Missouri that propose to transfer some business operations to another Missouri location are generally ineligible for funding.

Exceptions: An exception to this policy may be granted by DED if, in order to remain financially viable, the company must consolidate with another existing facility of the company's, or relocate to a more cost-effective site. In the event that the relocating company is closing a unionized facility, a meeting with the affected union, company and DED must take place to determine what, if any, negotiations have taken place before the company's decision to relocate was finalized. Every effort possible must be made to preserve the bargaining rights of unionized employees at a new location. If DED determines the primary purpose of the company relocation is to break a collective bargaining agreement or to operate a non-union company, the project is ineligible. To the extent possible, the workers whose jobs are being relocated must be offered an opportunity to transfer to the newly relocated facility in similar positions.

Existing Community Contact: Upon the receipt of an application, DED will contact the economic developer of the community where the company is currently located to inform him/her of the request. That community will be offered an opportunity to retain the company prior to DED's decision regarding the application.

Net New Jobs: If the intra-state relocation policy is granted an exception by DED, only the net increase of new jobs over the current employment of the borrower will be applicable for the program. Replacements jobs and/or transfer jobs will not be used to calculate new jobs.

GRANT ADMINISTRATION

Responsible Party: The city or county Sponsor must complete the procedures and requirements as established under the "Assurances" form and the CDBG Management Manual, which is available upon request from DED. The manual specifies procedures for all types of CDBG projects, most of which are not applicable to the Interim Financing Loan program. For most Interim Financing Loan projects, those procedures typically include:

- a. Conduct 1st public hearing;
- b. Environmental review;
- c. Submit request for loan proceeds to be drawn;
- d. Close-out forms and 2nd public hearing.

Administrative Methods: DED recommends that a sponsor assign the administrative functions listed above to existing staff. If the sponsor does not have adequate staff capacity or qualified staff to perform the CDBG-related administrative procedures, the sponsor may contract with an outside firm. If so, the borrower or the sponsor should pay for such fees. Interim Financing Loans typically do not involve a significant amount of administrative actions, and such fees should be minimal.

Liability for Default: The sponsor will not be held responsible for any losses on the Interim Financing Loan due to a default by a borrower, unless the sponsor (or any agent employed by the sponsor for the purpose of obtaining the Interim Financing Loan) intentionally omitted or provided false or misleading information regarding the viability of the borrower.

PUBLIC PARTICIPATION REQUIREMENTS

Procedure: DED cannot formally approve a loan request until the sponsor completes a public hearing, executes an authorizing resolution, and executes the assurances. At least one public hearing must be held prior to the submission of the sponsor's application. After the project has been completed, a second public notice must be published, and another public hearing held. All hearings must be handicapped accessible, according to ADA requirements.

1st Public Hearing Notice: This notice must be published at least **5** days prior to the public hearing. It should be published as a display-type ad (not in the classified section) in the newspaper with widest circulation in the community. If the sponsor is also applying for an Industrial Infrastructure Grant application for the same project, one ad and public hearing may include both applications. The format for the notice is as follows:

The City of _____ will hold a public hearing on _____, 200____, at _____PM, at City Hall to discuss an application to be submitted to the Missouri Department of Economic Development under the Community Development Block Grant (CDBG) program. The City is interested in obtaining citizen input on community and economic development needs within the City. The maximum amount of funds available from the CDBG program depends upon the type of project, but cannot exceed \$6,500,000 for economic development, \$2,000,000 for public facilities projects, or \$5,200,000 for neighborhood development projects.

Activities that are eligible for funding include improvements to public works, site improvements, housing rehabilitation, and others as allowed by law. At least 51% of the beneficiaries must be low and moderate income persons. No displacement of persons will be proposed for this project.

The City proposes to request \$_____ in CDBG funds for an Interim Financing Loan to _____(company name) for a project located at _____(address). The proposed project will provide new employment, of which at least 51% will be low and moderate income persons. City staff members will be present to answer questions about the CDBG program and the proposed application. For more information, contact _____ at (_____)_____.

Second Public Hearing: The sponsor must hold a second hearing after the completion of the project to offer citizens an opportunity to comment on the city's performance. The hearing must be preceded by a display-type notice in a newspaper with the greatest distribution in the area, published at least five days prior to the hearing date. If the Sponsor has completed other CDBG projects, they may be included in this ad and public hearing. The format for the notice is as follows:

The City of _____ will hold a public hearing on _____, 200____ at _____PM at City Hall to allow citizens to comment on the City's performance on the Community Development Block Grant awarded _____, 200____ for the _____(company name) project. All interested citizens and groups are encouraged to attend. For further information, contact _____, at (_____)_____.

ENVIRONMENTAL REVIEW

Applicability: Federal law requires all CDBG-assisted projects to undergo an environmental review subject to the National Environmental Policy Act.

Procedure: Upon the completion of the environmental review and the Cultural Resource Assessment, the sponsor must insert the "Finding of No Significant Impact/Request for Release of Funds" notice in the local newspaper. These forms can be received by contacting CDBG at 573-751-4146.

After **15** days from the day the ad ran, the sponsor would send the "Request for Release of Funds and Certification" to DED, certifying that there were no adverse comments from the public regarding the Project. (If there were adverse comments, see the CDBG Management Manual.) Once DED receives the "Request for Release of Funds and Certification", another 15 day comment period must elapse, and at that time, DED would issue a "Private Release" to the Sponsor.

Once the "Private Release" is received, the company may commence with the Project **IF** DED has approved the loan request. However, the Interim Financing Loan is only effective once the Loan Agreement has been executed. If the company did not meet the contingencies of DED's approval and execute the loan agreement, DED is not under an obligation to release loan proceeds.

When to Start Environmental Review: The checklist and assessment may be started, and the Finding of No Significant Impact/Request for Release of Funds notice may be published at any time, even prior to the submission of an Application.

Who may complete the Environmental Review: The company or sponsor may complete the checklist and assessment, however, the sponsor must insert and authorize the FONSI/RRF notice. It is not necessary that a licensed professional complete the environmental review, unless there is the probability of some significant effect to the environment. If so, consult the CDBG Management Manual.

Relationship to a Phase 1 Environmental Review: The FONSI/RRF has no relationship to a Phase 1 environmental review that may be necessary on the acquisition or sale of real estate.

Timing Schedule:

- Day 1 - Combined FONSI/RRF Notice is published.
- Day 2 - First day of 15-day local comment period.
- Day 16 - Last day of 15-day local comment period.
- Day 17 - Mail Request for Release of Funds and Certification to DED.
- Day 18 - DED receives certification, first day of 15-day state comment period.
- Day 32 - Last day of 15-day state comment period.
- Day 33 - DED issues release of funds (Notice of Removal of Grant Conditions).

COMPANY APPLICATION

Procedure: There are two parts of an application:

- a. Information from the **Company** regarding the Project, current status, ownership, management, market potential, and projections;
- b. Information from the **Sponsor** (city or county) that is required by law to enact the CDBG program.

There is no need to employ a grant writer, CPA, or other outside professional since this program is NOT based on a competition with other applications. DED will not penalize an application if the information or documents are unintentionally incorrect or incomplete.

Timing: The Company may submit their portion of the application to DED at any time. A Sponsor (city/county) should proceed with a public hearing and the environmental review. After the public hearing is held and the city council or county commission authorizes the submission of an application (by resolution or ordinance), the Sponsor may submit the Sponsor application.

Company Information: If the Borrower has previously submitted an application to one or more lending institutions and/or public programs, DED will accept any form of such applications, as long as the information is current (within 90 days), and all the items below are addressed:

- a. **Project:** Summarize the proposed project; the specific location of the project; and the timing of the Project.
- b. **Name:** Legal name of the company; federal identification number; contact person and title; address, city, state, zip, telephone number of a contact person with the company.
- c. **Type of Business** (C Corporation, S Corporation, Limited Liability Company, etc.).
- d. **Project Sources and Uses of Funds:** Description of the proposed use of funds for the project (listing sources of cost estimates of proposed new machinery/equipment, description of any new facilities included in the project).
- e. **Financial Statements:** Year end financial statements (balance sheet, income statement) of the company for the prior fiscal year; current (less than 60 days old) interim financial statements; and 2 years of projected financial statements. The projections should accurately reflect the proposed sources of financing and uses of funds as identified herein.
- f. **Ownership:** Listing of owners of more than 20% of stock (with percentage of ownership) and officers of the corporation.
- g. **Affiliates:** Names of affiliated (through common ownership or management control) or subsidiary businesses. Provide the past 2 fiscal year-end financial statements and a current (less than 90 days) financial statement for each of these firms.
- h. **New Jobs:** List by job title the Current Employees, projected New Jobs due to the Project, and projected LMI of New Jobs on the Employment Data Form

i. Company's Financial Interest Disclosure

j. Company Certification:

COMPANY - UPON HIRING OR FULL EMPLOYMENT:

- a. Employee Status Statement:** The company must administer this survey to all new employees and persons that apply for employment.
- b. Employment Summary Sheet:** This form summarizes the surveys or all New Jobs.
- c. Applicant Summary Sheet:** This form summarizes the surveys for all applicants.

INTERIM FINANCING LOAN PROGRAM COMPANY APPLICATION CHECKLIST

_____ **COMPANY INFORMATION**

_____ **PROJECT DESCRIPTION**

_____ **PROPOSED SOURCES OF FUNDS**

_____ **CERTIFICATION OF BORROWER**

_____ **EMPLOYMENT DATA**

_____ **COMPANY CERTIFICATION**

_____ **COMPANY'S FINANCIAL INTEREST DISCLOSURE**

_____ **BUSINESS PLAN / SUMMARY OF PROPOSED PROJECT**

_____ **FINANCIAL STATEMENTS OF COMPANY
(HISTORICAL AND 2-3 YEAR PROJECTED)**

_____ **OTHER INFORMATION AS REQUIRED
(PLEASE REFER TO THE COMPANY APPLICATION SECTION)**

The following forms are included in the application for use by the company if the loan has been approved and the private release date has been given:

_____ **EMPLOYEE SUMMARY SHEET**

_____ **EMPLOYMENT STATUS STATEMENT**

_____ **APPLICANT SUMMARY SHEET**

Information regarding Low-to-Moderate income limits in each county or non-entitlement area can be obtained by calling the Community Development Block Grant Program at 573-751-4146.

SPONSOR APPLICATION

Application: The city or county Sponsor must submit the following documents before DED can formally approve the Interim Financing Loan request. These documents may be sent separately from information submitted by the Company.

- a. Sponsor Identification:**
- b. Statement of Assurances:** Signed by Mayor or Presiding Commissioner. The date signed may not pre-date the public hearing.
- c. Public Participation/Conflict of Interest Certification:** Signed by Mayor or Presiding Commissioner. Attach a copy of the public hearing notice; and a copy of a resolution or ordinance authorizing the Mayor or Presiding Commissioner to execute documents necessary for the program. (Model resolution is attached) The resolution may not pre-date the public hearing.
- d. Lobbying Restrictions:** Signed by Mayor or Presiding Commissioner.
- e. Civil Rights Compliance Form:** To document compliance with Title VI of the Civil Rights Act of 1964.
- f. Needs Assessment:** Quality of Public Facilities or Services; this section is divided into three areas: public works, public services, and community facilities. The items specified within these areas are typically considered to be the responsibility of most local governments. The Sponsor should indicate whether the quality of the facility or service is generally good, fair, poor, or non-existent as it would affect everyone in the Sponsor's jurisdiction. Also, the same evaluation should be made as to the quality of the item as it affects low and moderate-income persons (LMI) in the Sponsor's jurisdiction. The determination of the item's quality (good, fair, or poor) may be performed in any way the Sponsor determines is appropriate, such as engineering reports, discussions with city/county staff members, field surveys, etc. This is not to be confused with a formal evaluation or capital improvement plans. The analysis of the quality of facilities or services should be based on current conditions.
- g. Anti-Displacement Plan:** The Sponsor will replace all occupied and vacant occupable low/moderate income dwelling units demolished or converted to a use other than as low/moderate income housing as a direct result of activities assisted with funds provided under the Housing and Community Development Act of 1974, as amended. The chief elected official must sign this form whether or not relocation or demolition of housing is proposed for this project.
- h. Financial Interest Disclosure:**
- i. Assistance From Other Government Sources:** Indicate the source (agency and program name), type of assistance (loan, grant, or other direct or indirect assistance), the amount from each program provided or requested and the status (requested/approved) for this Project. This includes assistance provided from any public source, including state, federal, or a local public entity other than the Sponsor.

- j. Disclosure of Financial Involvement:** Any person or business which has a Financial Involvement with the Sponsor or other public entities in the Project that exceeds \$50,000, or 10% of the Project Investment (whichever is lower) must be identified. "Project Investment" is the total of the Company's costs associated with this Project. "Financial Involvement" which must be identified would include building contractors, developers, realtors, administrators, legal, engineering, or any other party that receives compensation for any goods or services provided in connection with the public improvement portion of Project. If new items need to be added, or if any line item changes 20% or more, an updated form must be submitted to DED at or before grant closeout.
- k. Environmental Review:** The Sponsor must complete the following prior to the commencement of the Project. These documents may be sent in prior to or after the submission of other sponsor applications.
- l. Cultural Resource Assessment:** (Applicable only for Projects that propose improvements to real estate): Send this form to the Missouri Department of Natural Resources Historic Preservation Program ASAP.
- m. Checklist and Assessment:** Keep this available for public review and comment. Do not send this to DED.
- n. FONSI/RRF Notice:** After completing the Checklist and Assessment, publish this in a local newspaper, and mail a copy to the parties noted in the Distribution List for FONSI/RFF Notices. After 16 days of the date of publication, mail Request for Release of Funds and Certification to DED.
- o. Request for Release of Funds and Certification: Send to DED 16 days after FONSI/RFF notice was published.** DED must have a 15 day comment period starting on the day the Request for Release of Funds and Certification was received. After the 15 days has elapsed, the Project may begin **Only if** DED has previously sent the Sponsor a letter of conditional approval for the project.

INTERIM FINANCING LOAN PROGRAM SPONSOR APPLICATION CHECKLIST

- _____ **CITY/COUNTY SPONSOR APPLICATION**
- _____ **STATEMENT OF ASSURANCES**
- _____ **PUBLIC PARTICIPATION**
- _____ **CERTIFICATION - LOBBYING RESTRICTIONS**
- _____ **CIVIL RIGHTS COMPLIANCE**
- _____ **NEEDS ASSESSMENT**
- _____ **RESIDENTIAL ANTI-DISPLACEMENT AND RELOCATION ASSISTANCE PLAN**
- _____ **SPONSOR FINANCIAL INTEREST DISCLOSURE**
- _____ **AFFIDAVIT OF PUBLICATION OF PUBLIC HEARING NOTICE**
- _____ **RESOLUTION OF SPONSOR**
- _____ **ENVIRONMENTAL REVIEW**
(Please contact the Community Development Block Grant (CDBG) program for an environmental review packet 573-751-4146)
- _____ **OTHER INFORMATION AS REQUIRED**